MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BIB2074 – INTERNATIONAL BUSINESS

(All sections / Groups)

09 MAR 2017
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 3 pages with 5 Questions only.

2. Answering to questions **ONE, TWO** and **THREE** are compulsory, but you have the option to choose answering either question **FOUR** or **FIVE**. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

In 2014, the World Bank defined Malaysia as one of the middle-income trap countries. The term "middle income trap" means that the income per capita for these countries are anywhere from $1,046 to $12,745. Some development economists, preferring a relative measure, defined it as between 20 percent and 55 percent of U.S. per capita gross domestic product. Malaysian government should practice export growth policies to stimulate globalization. Malaysian firms on the other hand should participate more in the global markets in order to unlock Malaysia out of a middle income country.

a) Based on above, how globalization can help Malaysia? (7 Marks)

b) Explain **THREE** (3) issues that surround Malaysian globalization?

(8 Marks)

c) Do you think Malaysia is a "Collectivist" or "Individualist" country? Based on your answer how do you think these cultural systems can help Malaysia out of a middle income country trap? (10 Marks)

(TOTAL: 25 Marks)

QUESTION 2

Two countries, Malaysia and Indonesia produce just one good: rice. Suppose the price of rice in Malaysia is RM 2.80 per pound and in Indonesia it is IR 9,066 Indonesian Rupiah per pound.

a) According to PPP theory what should the RM/ IR spot exchange rate be?

(8 Marks)

b) Suppose the price of rice is expected to rise to RM 3.10 in Malaysia and to 11,390 IR in Indonesia. What should the one–year forward RM/IR exchange rate be?

(8 Marks)

c) Given your answer to part a and b, and given that the current interest rate in the Malaysia is 3.5 percent, what would you expect the current interest rate to be in Indonesia? (9 Marks)

(TOTAL: 25 Marks)

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QUESTION 3

Symbiotica Specialty ingredients Sdn Bhd is a Malaysian manufacturer of pharmaceutical ingredients that are key active substances in many well-known formulations. Established in 2001, Symbiotica gained market presence in over 40 countries within a short span of five years. The company now does business in the Asia Pacific, the Middle East, Africa, Europe, and Latin America, and is gaining a strong foothold in markets in the United Kingdom, Japan, and Australia. Today, the company identified itself as a major international player in the field of steroids and hormones, especially in the field of Corticosteroids.

a) How did a small but potentially value-adding manufacturer go from a production facility in Malaysia to selling its products in the leading markets of the World? (12 Marks)

b) What are the **THREE (3)** challenges faced by managers of an international business for entering a new foreign market? (13 Marks)

(TOTAL: 25 Marks)

QUESTION 4

While Donald Trump elected president of USA wants to deport millions of immigrants, he also uses the system to his advantage to hire foreigners. Some of these immigrants are unable to communicate in English. Employers argue they need these temporary workers to fill jobs Americans don't want, while critics say the workers can be exploited. Since the visas are tied to a particular job, the foreigners can't simply leave for a better paying job at another place. The worker is paid based on the prevailing wage or minimum wage. To obtain the visas, businesses must prove they were unsuccessful at filling positions with Americans or legal residents.

a) What staffing policy American firms should promote in order to reduce expatriate failure list **THREE (3)** points and briefly explain each points? (8 marks)

b) How can American firms reduce the bias in performance evaluations? Elaborate **THREE (3)** points. (8 Marks)

c) In the above scenario, what are the **THREE (3)** concerns of organized labor for multinationals? (9 Marks)

(TOTAL: 25 Marks)

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QUESTION 5

Petroliam Nasional Berhad (PETRONAS) entered the international market in 1991 and presently has crude oil exploration and production activities in over 22 countries throughout the world. The firm made its maiden foray into Brazil when its subsidiary purchased two blocks off Rio de Janeiro state for US$850 mil (RM 26 bil). Petronas Brasil E&P Limitada had agreed to acquire OGX Petroleo eCas SA's (OGX) interest in two offshore blocks in Brazilos Campos Basin. Petronas Brasil will acquire 40% of OGXos interest respectively in Blocks BM-C-39 and BM-C-40 which are in the shallow waters 95 km offshore Rio de Janeiro state and contain Tubaro Martelo field which is being developed. The proposed acquisition, which is at the asset level, will mark Petronas first entry into the exploration and production business in the country. (Source. PETRONAS makes foray into Brazil in US$850m deal: The Star, 8 May 2013).

a) Describe **THREE (3)** main benefits of acquisitions as a mode of establishing fully owned subsidiaries. (8 marks)

b) Acquisitions fail for several reasons. Highlight **FOUR (4)** reasons. (9 marks)

c) How can firms reduce the problems associated with acquisitions? (8 marks)

(TOTAL: 25 marks)

End of Paper